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Worldwide Report

TELECOMMUNICATIONS POLICY,  
RESEARCH, AND DEVELOPMENT

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# WORLDWIDE REPORT

## TELECOMMUNICATIONS POLICY, RESEARCH AND DEVELOPMENT

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and those left to free competition is to be considered a variable, and therefore the determination of the two together could vary in time primarily with technological progress and the surrounding conditions.

To return to the proposal, one of our first objectives in connection with it is to determine suitable geographic areas, comparable in extent and number of consumers, that will result in optimal efficiency of the services in the future. On the analogy of the regional system adopted in the United States, a subdivision into six or seven regional areas, depending on the sizes of the particular national states, is also considered serviceable for the countries of the European Community. The final arrangement, which is correlated with the existence of an actual European political unity, will be reached via a transitional stage where in the particular local situations will have to be allowed for.

Today especially the situations in the various nations determine various arrangements in regard to the service administrators. There are cases where the public administration manages the service directly through its own structures, and there are cases where the service is assigned by the government authority on concession to firms which in turn may be entirely state owned or joint stock companies with joint public and private ownership of the registered capital. Similarly the choice of the kind of management of the basic services on the regional level (under a monopoly system, according to the trends prevalent today, or with controlled competition in any case) is left to the respective national governments, since the diverse political and economic characteristics of each individual country must be allowed for.

An oligopoly situation, or one with controlled competition and a limited number of administrators, might be more desirable for the European interregional services and those outside Europe, insofar as it is possible to foresee the medium-long term evolution. It is a matter of an architecture which, under pressure of technology and the market and with the appropriate adjustments to Europe, tends to emphasize the reasons that led to the formation of regional companies in the United States separate from the long-distance ones.

The attempts of some U.S. "carriers" to gain access to the European market in order to sell their basic and data transmission services at a markup are already numerous and furthermore they will increase in time. Clearly a Europe divided among single national states and lacking any basis for uniform coordination and consequently any common policy would risk presenting a fragmented and accordingly easily captured market. On the other hand it would be more advantageous to negotiate and carry out a policy of access, based on reciprocity, that would take account of a comprehensive European view to contrast with the American and Japanese aspects.

From this standpoint it is also necessary to allow for the huge organizational and investment effort that the sector will require in the future in order to cope with the pressure from the carriers outside Europe, who are provided with a great reserve of means and a notable abundance of organizational structures. Therefore it may be advantageous to promote a policy of collaboration in Europe among the European long-distance administrators (namely those managing the traffic among the individual regions just as they have been defined, besides the intercontinental traffic) so as to enhance their competitiveness on the world scale.

In its broad outlines this is the scenario toward which the European telecommunications system could evolve from its present state of heavy dependence upon the histories of the individual countries. To be sure there are many variables subject to evolutions that are not easily predictable today, but it is still necessary to work in the next few years for construction of a European telecommunications system which, by allowing for technology and the market, will be able to make effective progress if it takes up the challenge of the confrontation forced upon us by world competition.

The possibility of pursuing and conducting this process of change depends both upon the political will to do it, which is expressed in the Council of Ministers' own office, and upon an operational body able to serve as the technical instrument for implementing regulations, standards and policies in the community telecommunications sector. In particular this body, which can be organized as the European Agency or otherwise within the orbit of the Community Administration and which for convenience will be called ETA (European Telecommunications Agency) below, should perform the following delicate and basic functions:

1. Coordinating communications policy outside Europe: In this capacity the ETA would be assigned the task at the Council's direction of determining the general terms for passage of traffic to and from Europe with criteria for reciprocity. The individual administrators are free to operate within these rules for the best attainment of their traffic and efficiency objectives.
2. Coordinating interregional communications: It would be the ETA's main mission to guarantee a harmonized development of the services for the benefit of the consumers and favoring possible forms of collaboration among the carriers themselves. The ETA would also have to outline a rate policy for such services so as to permit a controlled competition.
3. Administering the policies on standards: The ETA is to favor the adoption of common and uniform standards for both products and services, as well as the application of ratification procedures applying to all the countries. This will make it possible to stimulate an effective homogeneous market in Europe which, if it is preceded by activation of an appropriate industrial policy on a community basis, will be able to make a valid contribution to the reinforcement of manufacturing activity in this sector.
4. Harmonizing regional levels of development: While still observing the particular prerogatives of the individual local authorities, we must be able to find priority directions of common development with an eye to the natural trend toward constantly increasing interconnection of the regional systems for the various kinds of services.

The plan generally outlined here for a future arrangement of telecommunications services in Europe will be implemented according as the political and economic situations develop. In its main expectations at any rate it seems quite compatible with the program introduced by the Commission for the European Community in this sector (harmonizing the developmental programs, the standards policy, and building transnational structures) aiming at an organizational and political arrangement transcending the present limitations of the national situations.

This will be one of the more significant tests and one of the more valid criteria for the united will of the EEC countries in a field where, unlike many others, the political will can overcome the existing difficulties by introducing with the proposed body, the ETA, a first point of reference and coordination for the telecommunications services on the community level.

#### Evolution of the Italian System

The developmental process of the Italian situation logically follows in connection with the described plan for a comprehensive view of the European telecommunications system. In practice, Italy is one of the six or seven European regions wherein the domestic services should be assigned to an administrative center, the SIP, in accordance with the following main criteria:

- Confirmation of the monopoly on the exchange and transmission network and on the services of predominant public interest such as basic telephone service, data transmission, videotex, video-conference, portable radios, teletex and other services;
- Complete liberalization of the terminals and other apparatus and systems that are connected to the network;
- Open competition between SIP and other private firms in the area of services at a markup.

Clearly in any federalist conception of the European community every state in every region remains sovereign in adapting these aspects of liberalization to its own traditions, experience and interests. Therefore we can have positions on these points that are not entirely identical in England, for example, and in Italy. Moreover the latest reports from the United States make it appear that different approaches to the method of deregulation are emerging in some states such as Virginia, South Carolina, Mississippi, Alabama et al.

But in regard to the international services, namely the European long-distance ones and international traffic, the described plan tends to form an administrative center in Italy that will be able to compete on the international level.

It is clear, however, that we shall be unable to share the idea of a "wild competition" but consider it essential to have some precise regulations that will secure the effective development of the services and their simpler and more natural use by the consumers. This, like what happened in the air traffic sector, means that the most advantageous terms will have to be negotiated for reciprocity in view of the above-mentioned necessity for Europe not to be divided into individual national choices but to form a coordinated whole. Accordingly the Italian situation, in reference to the analyses made of the developmental trends of the telecommunications system in Europe, should be organized in two directions, the first for administration of domestic services and the second with responsibility for the international services.

As for the problems of privatization, which have come to be widely debated in Europe since British Telecom's recent experiences, it will be remembered that from their very beginning both SIP and ITALCABLE have been joint stock companies



controlled by the STET financing company, which in its turn is a joint stock company controlled, as a majority partner, by IR, which is a public agency for administration of state investments in the economy. On the basis of this organizational system, STET, SIP and ITALCAMP are all companies quoted on the stock exchange and accordingly open by definition to investment of private capital.

As regards the particular characteristics of a public utility that distinguish this sector and the considerations that necessarily follow from them concerning its relative adjustment, it is considered suitable to form an appropriate body directly under the Ministry of IT [Posts and Telecommunications] to be assigned the planning and control functions in accordance with the most suitable methods of attaining maximum efficiency. In fact it is clear that both for securing a harmonious and steady development of the basic services throughout the national territory and for promoting the expansion of the new services, in view of the strategic importance of the telecommunications sector within the national economy, the political authority should be able to express its main objectives through this body in a view that in its entirety will guarantee the community's interests.

This general formulation of the evolution of the Italian system includes some aspects that must be pursued with determination and on very urgent terms. First of all there is the one pertaining to a policy of service and product standardization developed in correlation with the other European countries. In digital switching, videotex, portable radios and telcex, to name just a few examples, the diversities in placing and the already noted incompatibilities among the various European countries must be overcome in order to arrive at concerted programs sooner that will unify the standards. This is the essential contribution that must be made in order to achieve a homogeneous telecommunications system in Europe and a uniform market at the same time.

Another aspect to be faced sooner is that of procedures for approving products that differ considerably from country to country today. In fact formation of a uniform European market necessitates adoption of approval procedures valid in all community countries and permitting mutual recognition of the conformity tests. In fact failure to adopt uniform policies on standards and approval procedures has brought on a number of fragmentations and duplications in industry that have made research and development work ineffective and thereby compromised the economic effectiveness of the outputs.

The success of an industrial policy that will permit Europe to fulfill the best of its potentials by involving the human, technological and financial resources of its own firms actually depends heavily upon implementation of a comprehensive plan for the European telecommunications system such as the foregoing one, which can mature in a medium or long period. But it would sooner prove essential to start arrangements for uniform standards in the sector and common approval procedures.

In effect, while the discussion of general subjects is going on in many quarters I think it is important to carry out the initiatives possible today, which are actually those pertaining to the two aspects of standardization and ratification. Through such initiatives Italy can make a great contribution of experience and a market in view of the size of the national telecommunications network, which is among the greatest in the European community.



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